

## Message Text

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C O N F I D E N T I A L PRAGUE 2767

LIMDIS

E.O. 11652: GDS

TAGS: PFOR, EFIN, CZ, US

SUBJECT: CLAIMS AGREEMENT

1. VISIT OF CZECHOSLOVAK DESK OFFICER TIMOTHY DEAL PROVIDED USEFUL OPPORTUNITY TO HEAR LATEST CZECHOSLOVAK VIEWS ON CLAIMS AGREEMENT AND LONG-GRAVEL AMENDMENT. FOLLOWING ARE MAJOR POINTS MADE BY ZANTOVSKY, HEAD SIXTH DEPARTMENT, HIS DEPUTY NOVOTNY, AND OTHER MFA OFFICIALS.

2. THEIR CONCERN OVER LONG-TERM BAD EFFECTS OF FAILING TO SIGN CLAIMS AGREEMENT IS UNDIMINISHED. WHILE ZANTOVSKY AND HIS AIDES HAVE SPECIAL STAKE IN MATTER, SINCE THEY NEGOTIATED THE AGREEMENT AND HAVE PARTICULAR INTEREST IN BETTER US-CZECHOSLOVAK RELATIONS, WE ARE CONVINCED THAT THEY ARE ALSO REFLECTING MORE WIDESPREAD CONCERN. THIS CONCERN GOES BEYOND FOREIGN MINISTER CHNOUPKE'S PERSONAL INVOLVEMENT, AND EVEN BEYOND CLEAR AND STRONG DESIRE ON LEADERSHIP'S PART TO GET BACK THE GOLD. ULTIMATELY THEY SEE LONG-GRAVEL AMENDMENT AS MAKING CZECHOSLOVAKIA THE PARIAH OF EASTERN EUROPE, UNABLE TO PARTICIPATE IN BENEFITS USSR AND ITS OTHER ALLIES WILL BE GARNERING FROM DETENTE. WHEN ZANTOVSKY AND HIS ADIES FYY ITC WOULD BE "DISASTER" IF AMENDMENT PASSED, THEY ARE REFELCTING ULTIMATELY LEADERSHIP'S FEAR THAT PASSAGE OF AMENDMENT WOULD LEAVE CZECHOSLOVAKIA IN A HOLD FOR YEARS TO COME.

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3. THEY SPOKE FRANKLY ABOUT IMMEDIATE BAD RESULTS IF AMENDMENT

PASSED. AS REPORTED EARLIER, ZANTOVSKY SAID IT WOULD BE YEARS BEFORE THEY COULD GET AUTHORITY TO NEGOTIATE AGAIN ON CLAIMS (ONE OF HIS STAFF SAID FIFTEEN YEARS OR MORE). DURING CALL BY DEAL AND FRISBIE, NOVOTNY SAID IF AMENDMENT PASSED, PERMISSION TO OPEN CONSULATE GENERAL IN BRATISLAVA WOULD PROBABLY BE WITHHELD, OPENING OF PLANNED EXHIBITS (E.G. WESTERN ART EXHIBIT IN BRATISLAVA IN JANUARY) MIGHT BE CANCELLED, AND CZECHOSLOVAK INTEREST IN ABOLISHING CLOSED AREAS WOULD WANE. (ZANTOVSKY SAID THAT VARIOUS BUREAUCRATIC PROBLEMS WITH PROGRESS AND ENVIRONMENT EXHIBIT IN BRATISLAVA HAD STEMMED FROM AMENDMENT, AND THERE HAD BEEN STRONG PUSH AT ONE STAGE TO CANCEL EXHIBIT. HE CLAIMED TO HAVE BEAT BACK PRESSURES FOR CANCELLATION, JUST AS THEY KEPT BEATING BACK PRESSURES TO AIR WHOLE STORY IN CZECH PRESS.)

4. DELA'S CAUTIOUSLY OPTIMISTIC REPORTS OF SITUATION IN CONGRESS WERE OF GREAT INTEREST TO CZECHS. (BE IT NOTED THAT DEAL HANDLED HIMSELF EXTREMELY WELL ON THIS TRIP, AND MADE BIG CONTRIBUTION TO KEEPING GOOD US-CZECH WORKING RELATIONSHIP GOING.) THEY SAID THAT IF AGREEMENT WAS SIGNED, GREEN LIGHT WOULD BE GIVEN FORTHWITH TO ALL KINDS OF US-CZECHOSLOVAK OPERATIONS.

5. ON NEGOTIATING SITUATION, DEAL'S ARRIVAL COINCIDED WITH APPEARANCE OF ARTICLE IN WASHPOST ON AMENDMENT, AND CZECHS WERE MOST WORRIED ABOUT EDITORIAL'S IMPLICATION THAT BALL WAS IN CZECH COURT. ZANTOVSKY INSISTED STRONGLY THAT THEY HAD NEGOTIATED IN GOOD FAITH AND ANY FORMAL MOVES HAD TO COME NOW FROM US SIDE. IN THIS CONNECTION HE SUGGESTED THAT IT MIGHT BE USEFUL IF NOTE WERE GIVEN TO MFA FROM EMBASSY NAMING PERRY AS WORTZEL'S REPLACEMENT AS HEAD OF NEGOTIATING TEAM. DCM SAID HE THOUGHT NEGOTIATIONS WERE OVER, BUT ZANTOVSKY SAID SINCE TECHNICAL DETAILS HAD TO BE SETTLED STILL, AND SOME PROBLEMS MIGHT BE POSED BY AMENDMENT, IT WOULD BE USEFUL TO HAVE TEMAS FORMALLY IN PLACE. (COMMENT: DEPARTMENT'S INSTRUCTIONS ARE INVITED. IN THIS SAME CONNECTION, EMBASSY HOPES THAT EVERYTHING POSSIBLE IS BEING DONE TO STRAIGHTEN OUT TECHNICAL PROBLEMS CONNECTED WITH GOLD TRANSFER, SO THAT ONCE AMENDMENT QUESTION IS RESOLVED -- AS WE HOPE, FAVORABLE -- WE MIGHT MOVE QUICKLY TO SIGNING CEREMONY AND GOLD TRANSFER.)

6. NOVOTNY SAID HE UNDERSTOOD FROM HIS PEOPLE IN US THAT  
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SOME SENATORS WERE THINKING THAT SOVIETS MIGHT PUT PRESSURE ON PRAGUE TO MAKE CONCESSIONS ON CLAIMS AGREEMENT. NOVOTNY SAID HE WANTED US TO KNOW THAT DURING CHNOUPEK'S TALKS WITH GROMYKO IN NEW YORK GROMYKO HAD SAID THERE WOULD BE NO RPT NO SUCH SOVIET PRESSURE.

7. ONLY MENTION OF CLAIMS AGREEMENT TROUBLES IN CZECH PRESS CAME IN MLADA FRONTA NOVEMBER 2, IN INTERVIEW WITH MFA OFFICIAL

MILAN KADNAR ABOUT CHNOUPEK'S TRIP TO UNGA AND LATIN AMERICA. PARAGRAPH SAID ; QUOTE -- AS FAR AS THE USA IS CONCERNED, OUR DYNAMIC FOREIGN POLICY HAS ALMOST TENDED TOWARDS NORMALIZATION IN THE RECENT PERIOD. YOU HAVE BEEN INFORMED ABOUT THE INITIPALLING OF AN AGREEMENT BETWEEN THE USA AND CZECHOSLOVAKIA ON QUESTIONS OF PROPERTY RIGHTS. UNFORTUNATELY WE MUST STATE THAT, IN VIEW OF THE INTERNAL POLITICAL SITUATION IN THE USA AND OF THE ATTITUDE OF CERTAIN AMERICAN CIRCLES WHICH OBVIOUSLY ARE NOT YET CONVINCED ABOUT THE NECESSITY OF THE POLICY OF RELAXATION AND PEACE, CERTAIN OBSTACLES HAVE APPEARED IN THE APPROVING OF INITIALLED AGREEMENTS AND IN THE REALIZATION OF FURTHER SUBJECTS OF COOPERATION. WE HOPE, HOWEVER, THAT THIS STATE OF AFFAIRS WILL BE OVERCOME IF POSSIBLE BY THE END OF THIS YEAR. UNQUOTE. (COMMENT: INTERVIEW WAS SOMEWHAT PERSONAL PICTURE OF CHNOUPEK AT WORK. SINCE CHNOUPEK STATED IN CZECH PRESS UPON DEPARTURE FOR UNGA THAT HE WOULD BE SEEING SECRETARY KISSINGER, AND FAILED TO DO SO, THIS KIND OF SEMI-EXPLANATION IS PROBABLY FELT TO BE NECESSARY MINIMUM.)

8. COMMENT: DEPARTMENT WILL BE WELL AWARE THAT MANY CZECH ARGUMENTS -- ABOUT EVIL RESULTS IF AMENDMENT PASSES, AND FINE RESULTS IF CLAIMS AGREEMENT IS SIGNED -- ARE EXPECTABLE NEGOTIATING STATEMENTS. BUT WE BELIEVE IT IS TRUE THAT IF LONG-GRAVEL

AMENDMENT PASSES, WE WILL -- BY TURNING AWAY FROM NEGOTIATED AGREEMENT THIRD TIME -- MAKE IT EXTREMELY HARD FOR CLAIMS AND OTHER OUTSTANDING ISSUES TO BE RESOLVED FOR A LONG TIME, AND WILL THUS LEAVE CZECHOSLOVAKIA OUT OF THE KIND OF US-EAST EUROPEAN RELATIONSHIP WE ARE WORKING TOWARDS. SO WE GIVE THE CZECHS A FAIR AMOUNT OF CREDIT WHEN THEY ARGUE THAT IF THE AGREEMENT COLLAPSES AGAIN, THE US-CZECHOSLOVAK PICTURE WILL LOOK GRIM. PERRY

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